

# ANALYSIS OF ORIGINAL BILL

## Franchise Tax Board

Author: Alquist Analyst: Kristina North Bill Number: AB 160  
Related Bills: See legislative history Telephone: 845-6978 Introduced Date: 1/15/1999  
Attorney: Doug Bramhall Sponsor: \_\_\_\_\_

**SUBJECT:** California Alzheimer's Disease and Related Research Fund/Fund Extension

### SUMMARY

Under the Administration of Franchise and Income Tax Law, this bill would extend the operation of the California Alzheimer's Disease and Related Research Fund to January 1, 2005.

### EFFECTIVE DATE

This bill would be effective for taxable years beginning on or after January 1, 2000.

### LEGISLATIVE HISTORY

SB 1447 (Ch. 494, Stats. 1996)

### BACKGROUND

Twelve voluntary contribution funds appeared on the 1998 state tax return. Total contributions to funds have declined from approximately \$3.4 million in 1989/90 to approximately \$2.6 million in 1997/98. The number of individuals contributing (first tabulated in 1993) remains fairly constant at 140,000 to 150,000, or slightly more than 1% of all taxpayers.

The California Alzheimer's Disease and Related Research Fund was first enacted in 1986 and was first available for contribution on the 1987 tax return filed in 1988. It will sunset on January 1, 2000, and will last appear on returns for the 1999 taxable year filed in 2000. This fund received approximately \$329,600 from contributions on 1997 tax returns.

### SPECIFIC FINDINGS

**Current federal law** provides a true check-off to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect the amount of tax paid or the refund received by the taxpayer.

**Current state law** allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 12 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board and Controller's costs to administer the fund.

#### Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

#### Department Director

#### Date

Gerald Goldberg

2/19/99

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (an indexed \$250,000) to remain on the return. Attachment II is a chart indicating the number of contributions and contribution amounts for eight fiscal years.

**Current state law** provides that if its repeal date is deleted, the California Alzheimer's Disease and Related Research Fund would be required to meet the minimum contribution amount of \$250,000.

**This bill** would extend the operation of the California Alzheimer's Disease and Related Research Fund from January 1, 2000, to January 1, 2005. Thus, this fund would last appear on income tax returns filed for the 2004 year instead of 1999.

**This bill** also would require the California Alzheimer's Disease and Related Research Fund to meet the minimum contribution amount (and the amount adjusted for inflation for subsequent tax years) beginning in taxable year 2000 to remain on the tax return.

#### **Policy Considerations**

The placement of voluntary contribution funds on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information may ultimately impair tax collection and reduce administrative efficiency.

#### **Implementation Considerations**

The implementation of this bill would not significantly impact this department.

### **FISCAL IMPACT**

#### **Departmental Costs**

This bill would not significantly impact the department's costs.

#### **Tax Revenue Estimate**

Potential revenue losses would be very minor, \$20,000 or less annually beginning with fiscal year 2001/02 as the result of itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

#### **Tax Revenue Discussion**

According to departmental data, the amount of contributions to the California Alzheimer's Disease and Related Research Fund was approximately \$329,600 for fiscal year 1997/98, with an average of nearly \$6.20 per individual contributor. Assuming a 2% growth in contributions, an average marginal tax rate of 6%, and no reductions for other contributions normally reported, the annual revenue loss would be on the order of \$22,000, assuming the contributed amounts are included in itemized charitable deductions.

**BOARD POSITION**

Pending.